

FAC11A1
LAST ASSESSMENT OPPORTUNITY



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

Financial Accounting 1A

FAC11A1

LAST ASSESSMENT OPPORTUNITY

JUNE 2016

Time: 3 hour

Marks: 100

Assessors: Mrs M. Carter, Mr H. Coovadia, Mr. M Mamadi, Mrs L Nzama

Moderator: Mr N Ebrahim

INSTRUCTIONS:

- The paper consists of 9 pages (including the cover page).
- Show all calculations and workings clearly.
- Where applicable, round up all calculations to the nearest rand, unless the question requires otherwise.
- Write only in blue or black ink.
- You may use calculators.
- Do not write in pencil and do not use tippex.

QUESTION	MARKS	TIME
1	25 marks	45 minutes
2	25 marks	45 minutes
3	25 marks	45 minutes
4	<u>25 marks</u>	<u>45 minutes</u>
	100 marks	180 minutes

FAC11A1
LAST ASSESSMENT OPPORTUNITY

QUESTION 1

(25 Marks)

Section A

(10 marks)

Mr. Fashion is a small retailer that sells designer clothes to the public with a large clientele as it keeps up with latest trends. The recent financial crisis has however negatively affected business. Total sales for the past 6 months has decreased by 40%.

On 1 March 2016, Mr. Fashion allowed qualifying customers to open accounts and buy on credit, applying terms and conditions for repayments. The total credit sales was R 250 000.00.

Mr Fashion asked you the following questions:

1.1	Identify the elements, define and apply the definition and recognition criteria in terms of the accounting framework for the transaction above (Ignore Inventory and Cost of Sales)	10 Marks
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Section B

(15 Marks)

Kim Kadin owns a hair studio and beauty salon which renders services to high profile celebrities. Kim allows customers to buy on account and uses the perpetual inventory system. Kim's Vat reference number is 987654321.

The following information has not been recorded in the accounting records of Kim Kadin's business:

1. Purchased a motor vehicle on credit for R 340 000 (Incl. VAT).
2. Paid R118 000 (Excl. Vat) for store equipment.
3. Received cash of R 4 385 (excl. Vat) from customer for service rendered.
4. Paid R 5 590 (Incl. Vat) for advertising.

REQUIRED:

1.2	Use the table below to show the effect of all the above transactions on the accounting equation of Kim Kadin's business	15 Marks
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	ASSETS			EQUITY			LIABILITIES		
No	Account name	Sign and amount	Dr/ Cr	Account name	Sign and amount	Dr/ Cr	Account name	Sign and amount	Dr/Cr

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LAST ASSESSMENT OPPORTUNITY

QUESTION 2

(25 Marks)

Sportswear Limited is a South African sporting company that trades in sports clothing and equipment. Sportswear Limited is a registered VAT vendor.

- 1) On 1 March 2016 the document below was received from XYZ Sports. If the account is settled within 30 days, Sportswear Limited will receive a 5% settlement discount. (Show all workings)

<p style="text-align: right;">Sage Technology Park 102 Western Services Road Gallo Manor Ext 6 2191</p> <p>Educational No: Sage Pastel PO Box 781893 Sandton 2146 South Africa</p>	<p style="text-align: center;">Supplier Invoice</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Date</td> <td style="width: 50%;">01/03/16</td> </tr> <tr> <td>Page</td> <td>1</td> </tr> <tr> <td>Document No</td> <td>PNA10001</td> </tr> </table>	Date	01/03/16	Page	1	Document No	PNA10001
Date	01/03/16						
Page	1						
Document No	PNA10001						
<p>XYZ Sports 145 Rugby Drive Sportiongworld</p>	<p>Deliver to 45 Rugby Drive Sportiongworld</p>						

Account	Your Reference	Tax Exempt	Tax Reference	Sales Code
XYZ	INV2345	N	123456799	Exclusive

Code	Description	Quantity	Unit	Unit Price	Disc%	Tax	Nett Price
RJ	Rugby Jersey South Africa	900.00		779.73		14.00%	701 757.00

<p>Received in good order</p> <p>Signed _____ Date _____</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Sub Total</td> <td style="width: 30%; text-align: right;">701 757.00</td> </tr> <tr> <td>Discount @ 0.00%</td> <td></td> </tr> <tr> <td>Amount Excl Tax</td> <td></td> </tr> <tr> <td>Tax</td> <td></td> </tr> <tr> <td>Total</td> <td></td> </tr> </table>	Sub Total	701 757.00	Discount @ 0.00%		Amount Excl Tax		Tax		Total	
Sub Total	701 757.00										
Discount @ 0.00%											
Amount Excl Tax											
Tax											
Total											

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FAC11A1
LAST ASSESSMENT OPPORTUNITY

- 2) ABC Sports, a customer, purchased 300 soccer balls from Sportswear Limited on credit. The soccer balls cost Sportswear Limited R 50 (including VAT) per ball. All soccer balls are sold at a mark-up of 30% on cost. (Show all workings)
- 3) Returned 100 South African rugby jerseys to XYZ Sports. (Show all workings)
- 4) A gas pipe leak had unfortunately caused a fire in the store. After the fire, an ad-hoc stock count was performed. The stock count revealed that only 200 South African rugby jerseys were damaged. The damaged jerseys can only be sold at R 300 per jersey and it will cost R50 per jersey to make the sale. Assume the original cost price is R 780 (ex VAT). (Show all workings)
- 5) ABC Sports paid the outstanding amount and received a 10% settlement discount. (Show all workings)

REQUIRED:

2.1	<p>Prepare the General Journal entries for all the transactions (Show all workings, round off to the nearest rand, journal narrations are required)</p> <p>Example: DR Water and Lights (PL) 500</p> <p style="padding-left: 100px;">CR Bank (SFP) 500</p> <p style="text-align: center;"><i>Paid water and lights</i></p>	25 MARKS
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FAC11A1
LAST ASSESSMENT OPPORTUNITY

Question 3

(25 Marks)

Section A

(20 Marks)

You have been employed as an assistant bookkeeper at UTP Traders as from 01 May 2016. The bookkeeper of UTP Traders gave you the following information on 31 May 2016.

BANK STATEMENT OF UTP TRADERS FOR MAY 2016				
	Address 5458 Bank City			
	Johannesburg			
	2009			
Date	Details	Debits	Credits	Balance
		R	R	R
01/05/2016	Balance			56 000
02/05/2016	Debit order LK Insurers	2 000		54 000
	Debit order City of JHB Municipality	6 500		47 500
05/05/2016	Deposit-123		17 000	64 500
	Direct deposit Mr Katsie		20 000	84 500
08/05/2016	Cheque no 219	500		84 000
	Deposit-124		10 000	94 000
09/05/2016	Service fees	100		93 900
12/05/2016	Cheque no 220	1 600		92 300
	Cheque no 221	3 000		89 300
15/05/2016	Direct deposit Mr Stevens		15 000	104 300
	Deposit		30 000	134 300
17/05/2016	Unpaid Cheque Mrs Langa	800		133 500
19/05/2016	Cheque no 224	3 700		129 800
	Deposit		16 000	145 800
22/05/2016	Service fees	100		145 700
24/05/2016	Deposit		10 000	155 700
26/05/2016	Cheque no 226	500		155 200
29/05/2016	Deposit		6 000	161 200
	Cheque no 228	900		160 300
31/05/2016	Interests		190	160 490

FAC11A1
LAST ASSESSMENT OPPORTUNITY

UTP Traders		
Cash book-Receipts		
Date	Details	Bank
		R
05/05/2016	Cash Sales-123	17 000
08/05/2016	Cash Sales-124	10 000
09/05/2016	Mr Fanga	5 000
12/05/2016	MrKhumalo	4 000
15/05/2016	Cash Sales	30 000
19/05/2016	Cash Sales	16 000
24/05/2016	Cash Sales	10 000
29/05/2016	Cash Sales	6 000
	Total	98 000

UTP Traders		
Cash book-Payments		
Date	Details	Bank
		R
08/05/2016	Xp stationers-Cheque 219	500
12/05/2016	Lunga Stores-Cheque 220	1 600
	TG Store-Cheque 221	3 000
15/05/2016	Mpumi Traders-Cheque 222	9 000
16/05/2016	Mosssel Traders-Cheque 223	2 500
19/05/2016	Lite Wholesalers-Cheque 224	3 700
22/05/2016	Benq Steelworks-Cheque 225	5 000
26/05/2016	Kanu Sweets-Cheque 226	500
29/05/2016	Cash	200
	Bingo Cleaners-Cheque 228	900
	Total	26 900

Additional Information

- a) The unpaid cheque in bank statement on the 17 May 2016 is a dishonored cheque. The cheque was dishonored due to insufficient funds in, Mrs Langa's client of UTP Traders, account.
- b) The balance of the bank account in the general ledger of UTP Traders as at 01 May 2016 had a favorable balance of R56 000.

Required:

- 3.1 Prepare the bank account for May 2016 in the general ledger of UTP Traders. (12)
- 3.2 Prepare the bank reconciliation of UTP Traders as at 31 May 2016. (8)

FAC11A1
LAST ASSESSMENT OPPORTUNITY

Section B

(5 Marks)

You are supplied with the following information from the records of Askari Traders.

Statement received from Okapi				
ASKARI TRADERS				
Date	Details	Debit	Credit	Balance
1 Jun 16	Opening balance			12 500
1 Jun 16	Invoice 770	3 400		15 900
1 Jun 16	EFT Deposit 1577		6 795	9 105
1 Jun 16	Interest charged	125		9 230
20 Jun 16	Credit note 12		2 100	7 130
21 Jun 16	Invoice 771	1 350		8 480
24 Jun 16	Invoice 772	1 004		9 484
29 Jun 16	Invoice 773	180		9 664

Subsidiary ledger of Askari					
Okapi					
1/06/16	Bank	6 795	1/06/16	Balance	12 500
30/06/16	Bank	5 000	1/06/16	Inventory+VAT	3 400
			21/06/16	Inventory+VAT	1 350
			24/06/16	Inventory+VAT	1 004
30/06/16	Balance c/d	6 459			
		18 254			18 254
			01/07/16	Balance b/d	6 459

Additional information.

- Interest was charged on overdue account.
- Credit note 12 is not recorded.
- Invoice 773 is not recorded.
- Payment of R5000 was made via EFT.

Required

3.3 Calculate the correct closing balance of Okapi. (3)

3.4 Prepare creditors reconciliation. (2)

FAC11A1
LAST ASSESSMENT OPPORTUNITY

QUESTION 4

(25 MARKS)

Lira has been operating a business called Ingoma Traders selling music instruments for the last 6 years. The business is registered for VAT and only deals with registered VAT vendors. Below is the trial balance for the period ended June 2016.

	<u>Debits</u>	<u>Credits</u>
1000 (Sales)		465 000
4740 (Cost of sales)	345 000	
4741 (Water and electricity)	17 000	
4744 (Telephone)	10 000	
4748 (Bad debts)	300	
4700 (Salaries and wages)	78 000	
1010 (Rent income)		12 000
5300 (Capital)		202 710
5600 (Drawings)	32 000	
6300>010 (Motor vehicle>acc depr)		59 400
6300>020 (Motor vehicle>cost)	130 000	
7100>010 (Trade Receivables)	25 800	
7100>020 (Allowance for bad debts)		850
8425 (Inventory)	4 000	
8420 Bank	297 150	
9100 (Payables Control)		78 745
9601 (VAT Control)	22 000	
9200 (Loan payable)		142 545
Totals	961 250	961 250

Additional information:

1. The allowance for doubtful debt must be adjusted to R825.
2. Depreciation of 20% per annum on the diminishing balance method must still be provided on vehicles for the current financial period. A new vehicle was bought for R60 000 (excluding VAT) on 1 March 2016.
3. The water and electricity account amounts to R1 500 p/m (excluding VAT).
4. An invoice of R570 (including VAT) for payment of the telephone account was erroneously recorded incorrectly as R750.

FAC11A1
LAST ASSESSMENT OPPORTUNITY

REQUIRED:

4.1	Record the above adjustments in the general journal of Ingoma Traders for the period ended June 2016. Remember to specify the statement (SOFP or SOPL) for each account. <i>(Narrations are not required)</i>	12 MARKS
4.2	What would the following amounts in the statement of profit or loss (Income statement) be? a. Bad debt b. Water and electricity c. Telephone	3 MARKS
4.3	How much is the gross profit?	1 MARK
4.4	<u>Only prepare the assets section</u> of the statement of financial position (balance sheet) of Ingoma Traders for the period ending June 2016.	9 MARKS